



Bank of Nova Scotia (TSX:BNS) Is Canada's Best Bank for Growth

Description

Canada's banks have been an extraordinary story for investors over recent years. Not only did they pull through the global financial crisis a decade ago in relatively good shape, but they've also been able to consistently unlock value since then.

While there are concerns that growth opportunities are drying up in Canada's saturated financial services market, one big six bank that's poised to continue growing at a solid clip is **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)).

Now what?

The bank, which is known as Scotiabank, is the most international of Canada's banks, having invested in developing a [considerable business](#) in Latin America. Through a series of deals, Scotiabank is ranked by assets as the seventh largest bank in Mexico, the fifth largest in Colombia and third largest in Peru.

Earlier this year it completed its acquisition of a 68% stake in Banco Bilbao Vizcaya Argentaria, Chile, which saw it become that nation's third largest private bank.

Scotiabank is also in the progress of acquiring Banco Dominicano del Progreso in the Dominican Republic, which on completion will see it become that nation's fourth-largest full-service bank.

This large operating footprint across some of the regions most stable and fastest-growing economies has bolstered the bank's growth prospects. This considerable international exposure allows the bank to offset the challenges posed by a cooling housing market, which was a key driver of growth over the last decade.

Scotiabank's international banking business has started to perform strongly as economic growth in Latin America starts to pick-up. For the third quarter 2018, adjusted net income from that division grew by a notable 15% year over year to \$784 million on the back of strong loans growth with its international credit portfolio expanding by 10%, primarily being driven by Scotiabank's operations in the Pacific Alliance nations of Mexico, Colombia, Chile and Peru.

Much of that lending growth came from credit cards and business loans, which grew by 17% and 8%, respectively. This is a positive indicator for higher earnings because those lending segments typically have high margins, making them immensely profitable.

While international banking's interest margin (NIM) fell by seven basis points, for the third quarter it was still a respectable 4.7%, which is almost double the 2.46% reported for Scotiabank's Canadian business.

This underscores the profitability of the bank's operations in Latin America which should continue to grow at a rapid clip because Colombia's GDP is expected to expand by roughly 3%, whereas it will be 4% for Peru and around 3.6% in Chile.

Nonetheless, it wasn't all good news from the segment. Provisions for credit losses almost doubled compared to a year earlier to \$771 million, although a key reason for this was the need to establish a large commercial provision relating to the restructuring of Scotiabank's Barbados obligations.

Scotiabank's overall health remains solid. It reported a net impaired loan ratio of 0.65% for the third quarter which, while 0.21% greater than a year earlier, is still well within acceptable limits. The bank is also well-capitalized reporting a common equity tier one capital ratio of 11.4%.

So what?

Scotiabank, by virtue of its solid exposure to Latin America, notably the Pacific Alliance countries of Mexico, Colombia, Chile and Peru, possesses [significant growth potential](#).

This, along with it bolstering its asset management business should see it continue to unlock value for investors, which will give it stock a solid boost. While investors wait for this to occur, they will be rewarded by Scotiabank's sustainable dividend yielding a juicy 4%.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. TSX:BNS (Bank Of Nova Scotia)

PARTNER-FEEDS

1. Msn

2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing

Date

2025/07/03

Date Created

2018/09/19

Author

mattsmith

default watermark

default watermark